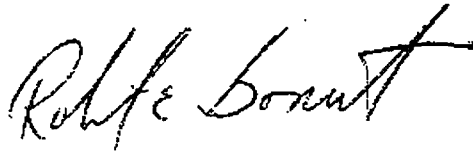


For: State and County Offices

Estimated Loss Claims

Approved by: Acting Deputy Administrator, Farm Loan Programs



1 Overview

A

Background

Farm Loan Programs guaranteed loan file reviews continue to identify loss claims where FSA reimbursed the lender for interest losses incurred because of the lender's failure to liquidate in a timely manner.

B

Purpose

This notice reminds Ag Credit officials that, according to FmHA Instruction 1980-B, Section 1980.146(d)(1)(v), lenders with guaranteed loans in default will submit an estimated loss claim if the lender expects the liquidation period to exceed 90 calendar days.

C

Contact

Direct questions regarding this notice to LSPMD, Guaranteed Loan Servicing Branch through the Area Office.

Disposal Date

August 1, 1998

Distribution

State Offices; State Offices relay to County Offices

2 Action

A

**Stopping Interest
Accrual**

FSA will deny interest accrual on the basis of negligent servicing to lenders who have not expeditiously proceeded with the liquidation plan approved by the Agency.

B

**Estimated Loss
Claim When
Lender's
Agreement Was
Issued After
January 12, 1989**

Lender's Agreements issued after January 12, 1989, **require** the lender to submit an estimated loss claim if the liquidation period is expected to exceed 90 calendar days and the lender owns any of the guaranteed portion of the loan.

- Upon notification that liquidation is pending, the Ag Credit Manager (ACM) must remind the lender to address this requirement in the liquidation plan as required by FmHA Instruction 1980-B, Section 1980.146(d)(1)(v).
 - As set forth in the Lender's Agreement and according to FmHA Instruction 1980-B, Section 1980.146(e)(1), the lender will discontinue interest accrual on the defaulted loan at the time the estimated loss claim is approved by the Agency.
 - FSA will not reimburse the lender for interest losses that accrue after the estimated loss claim is approved. Claims for such losses will be denied on the basis of negligent servicing.
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C

**Estimated Loss
Claim When
Lender's
Agreement Was
Issued Before
January 13, 1989**

Lender's Agreements issued before January 13, 1989, stated that the lender could submit an estimated loss claim, but did not require it. These agreements require lenders to comply with future revisions to Agency regulations only if not inconsistent with the Lender's Agreement.

- Upon notification that liquidation is pending, ACM should request the lender to provide an estimate of time necessary to complete liquidation as required FmHA Instruction 1980-B, Section 1980.146(d)(1)(v).
 - If liquidation is expected to exceed 90 calendar days, ACM should encourage a lender who owns any of the guaranteed portion of the loan to submit an estimated loss claim.
 - FSA will cover interest losses that occur after the payment of the estimated loss claim only if the lender proceeds with liquidation in a timely manner and according to the liquidation plan approved by FSA. Otherwise, claims for such losses will be denied on the basis of negligent servicing.
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